

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6353**

**BILL NUMBER:** HB 1978

**DATE PREPARED:** Feb 11, 2001

**BILL AMENDED:**

**SUBJECT:** Elderly and Disabled Property Tax Credit.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:** X

X

**GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that a property tax credit is payable from the Property Tax Replacement Fund against the property taxes paid on an individual's homestead if the individual is at least 65 years of age or has been declared totally disabled for purposes of Social Security. It provides that the credit changes each year so that the individual's net property tax liability will never be greater than the individual's property tax liability in the first year the individual qualified for the credit if the individual files for the credit. The bill appropriates money from the Property Tax Replacement Fund to pay for the property tax credits.

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:** Beginning with taxes payable in CY 2003, this proposal would permit homeowners who are least 65 years old or are totally disabled to file a statement with the county auditor claiming a credit against their net property tax bills. The credit would be equal to 100% of the qualifying taxpayer's increase in net residential property taxes since the taxpayer's base year.

*Estimation Issues:* In estimating the impact of this bill, it was assumed that the currently proposed real property assessment rule will be used to revalue property for the next reassessment. It was also assumed that the next reassessment will apply to property assessed in 2002 with taxes first paid in 2003 as mandated in the latest order from the Indiana Tax Court.

The total cost estimate in this analysis may be low. Currently available data does not allow more exact measurements of the reassessment tax increases on the specific homes owned by the elderly. These homes may be older and could experience a larger increase than the average under the proposed real property assessment manual. Also, data on tax increases is only available down to the district level. If a district has homes with tax decreases, then the decreases cause the total district residential tax increase to be underestimated.

*Fiscal Analysis:* In CY 2003, the increase in net property taxes to be paid by all homeowners age 65 and over and homeowners who are disabled who experience increases is estimated to be at least \$65.8 M over their CY 2002 net liabilities. Assuming a 2% growth in net tax rates after CY 2003, the dollar amount of the credit under this bill is estimated to be at least \$65.8 M in CY 2003, \$71.7 M in CY 2004, and \$77.8 M in CY 2005. On a fiscal year basis, the cost of the credit to the state is estimated to be at least \$32.9 M in FY 2003 (½ year), \$68.8 M in FY 2004, and \$74.8 M in FY 2005.

This credit would be paid from the Property Tax Replacement Fund (PTRF). This fund is annually supplemented by the General Fund to meet obligations. An increase of expenditures from the PTRF would ultimately impact the General Fund.

**Explanation of State Revenues:** The credit would also reduce the cost of the state income tax deduction for homestead property tax payments up to \$2,500. This deduction was enacted by P.L. 273 -1999 and is effective for tax years beginning January 1, 1999. Since the property tax bills for those taxpayers that qualify for this new property tax credit would be reduced under this bill, the amount of the income tax deduction that they would qualify for would also be reduced. The reduction in the amount claimed would result in gain in state revenue estimated to be at least \$2.2 M in FY 2004 and \$2.4 M in FY 2005. Revenue from the Adjusted Gross Income Tax is deposited in the General Fund.

**The net cost of the property tax credit to the state (credit cost less income tax gain) is estimated to be at least \$32.9 M in FY 2003, \$66.5 M in FY 2004, and \$72.4 M in FY 2005.** This impact assumes that all eligible recipients of the proposed credit will file for the credit as soon as it would be effective.

*Penalty Provision:* A person who knowingly or intentionally files a false claim under this provision commits a Class B misdemeanor. In addition to all other penalties, the person would be obligated to pay back the amount of falsely obtained credits for deposit into the PTRF.

If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class B misdemeanor is \$1,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

**Explanation of Local Expenditures:** Local governments would be responsible for printing and processing the claim forms for the credit. This would create an indeterminable cost increase for the County Auditor's offices.

*Penalty Provision:* A Class B misdemeanor is punishable by up to 180 days in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

**Explanation of Local Revenues:** There would be no impact on local tax revenues. Local units of government would continue to receive the same total tax revenues, regardless of the source.

*Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the

case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

**State Agencies Affected:** State Board of Tax Commissioners; Indiana Department of State Revenue.

**Local Agencies Affected:** County Auditors; Trial courts, local law enforcement agencies.

**Information Sources:** Property Tax Analysis, State Board of Tax Commissioners; Local Government Database; Consumer Expenditure Survey, U.S. Bureau of Labor and Statistics.